



## Agriculture Industry Flash

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Wednesday, March 13<sup>th</sup>, 2019



## COMMODITY HANDLING

### News Scan

- On March 5<sup>th</sup>, China cancelled **Richardson International's** registration to ship canola to China according to a report put out by Reuters. Richardson International is the world's top exporter of canola, and it is unclear why exports into China have been halted as officials at China's General Administration of Customs refrained from making any comments
- On March 4<sup>th</sup>, **GrainCorp Limited** announced that it has entered into an agreement to sell its Australian Bulk Liquid Terminals business to **ANZ Terminals Pty Ltd.** for ~A\$350 million, representing ~13.0x 2019E EBITDA. The liquid terminals business was initially acquired by GrainCorp in 2012 as part of its acquisition of Gardner Smith. It operates eight liquid terminal sites across Australia, with a combined storage capacity of ~211,000m<sup>3</sup>
- On March 1<sup>st</sup>, **Archer Daniels Midland (ADM)** announced that it has completed its acquisition of **Florida Chemical Company (FCC)**, one of the world's largest natural citrus oils and ingredients manufacturers. ADM acquired FCC for US\$175 million in cash. With the completion of the transaction, ADM further strengthens its capabilities in the citrus space, which is a key flavour in the beverage industry
- On February 28<sup>th</sup>, **Viterra USA** announced that it has signed a purchase agreement to buy-out **General Mills' 50% ownership stake** in a joint grain facility located in Northgate, North Dakota. Previously, Viterra held a 50% stake through a joint venture agreement with General Mills and will now take full ownership of the facility. In addition to this facility, Viterra's presence in North Dakota includes special crops facilities in Ray and Minot as well as a grain elevator in Grand Forks

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price	
		Cap	TEV	2019E	2020E			2019E
ADM	23,479	32,228	7.6x	7.2x	11.9x	11.3x	(0.8)%	(19.5)%
Bunge Limited	7,088	13,484	8.4x	7.6x	17.7x	12.7x	(3.8)%	(34.7)%
Graincorp Limited	1,523	2,188	12.9x	9.6x	nmf	22.5x	(0.1)%	(5.8)%
The Andersons, Inc	1,260	2,233	7.5x	7.1x	15.1x	13.1x	(4.2)%	(16.9)%
Ceres Global Ag	93	148	na	na	na	na	1.6%	(12.0)%
<b>Mean</b>			<b>9.1x</b>	<b>7.9x</b>	<b>14.9x</b>	<b>14.9x</b>	<b>(1.5)%</b>	<b>(17.8)%</b>

<sup>1</sup> "Commodity Handling Index" is composed of equally weighted market prices for: ADM, Bunge, Graincorp, Andersons, and Ceres.

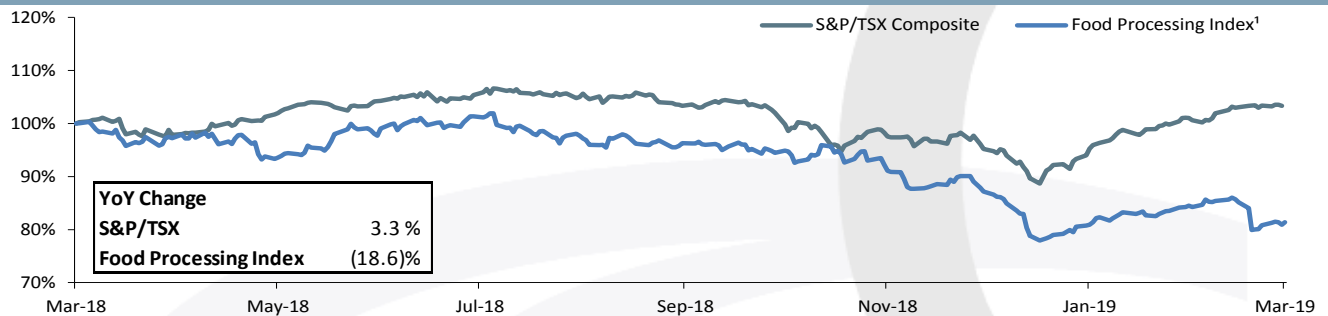


## FOOD PROCESSING

### News Scan

- On March 7<sup>th</sup>, **Mondelez International** announced that it has made a minority investment in **Uplift Food**, a US-based early-stage start-up company focused on prebiotic functional foods, financial terms were not disclosed. This is the first investment Mondelez has made as part of its innovation and venture hub “SnackFutures”
- On March 5<sup>th</sup>, **Cargill** announced it has acquired **Smet**, a Belgium-based supplier of chocolate and sweets decorations, financial terms were not disclosed. The transaction aims to enhance its capabilities in its gourmet segment and broaden its product portfolio
- On March 1<sup>st</sup>, **Osem Group** announced that it has opened a factory in Kiryat Gat, Israel, an investment valued at US\$55 million. The 172,000 square-foot facility produces a popular Israeli peanut and corn snack called Bamba, and is expected to employ about 150 workers, while doubling its current capacity to 1.5 million bags per day
- On March 1<sup>st</sup>, **Ingredion Inc.** announced that it has acquired the operations of Western Polymer, a privately held producer of potato and tapioca starches. The acquisition will expand Ingredion’s starch manufacturing capacity and enhance processing capabilities. Terms of the acquisition were not disclosed

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
George Weston Limited	10,611	27,872	8.2x	7.9x	13.8x	12.7x	(0.9)%	(16.7)%
ConAgra Foods, Inc.	10,912	22,175	10.6x	9.9x	10.9x	9.3x	(1.7)%	(43.0)%
Ingredion Incorporated	6,079	7,920	7.9x	7.5x	12.9x	12.0x	(0.5)%	(32.6)%
Tate & Lyle plc	4,172	4,605	7.7x	7.5x	13.3x	12.8x	(0.9)%	(6.8)%
Premium Brands	1,848	2,654	11.0x	10.2x	16.5x	14.3x	(3.4)%	(40.2)%
Maple Leaf Foods Inc.	2,518	2,796	9.0x	8.2x	17.6x	15.2x	(0.9)%	(21.0)%
SunOpta Inc.	308	910	17.4x	13.8x	neg	neg	11.3 %	(60.6)%
Rogers Sugar	476	723	9.1x	8.8x	12.7x	12.1x	0.3 %	(3.5)%
<b>Mean</b>			<b>10.2x</b>	<b>9.3x</b>	<b>14.2x</b>	<b>12.7x</b>	<b>0.4 %</b>	<b>(31.6)%</b>

<sup>1</sup> “Food Processing Index” is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate & Lyle, Maple Leaf Foods, Premium, SunOpta, and Rogers Sugar.

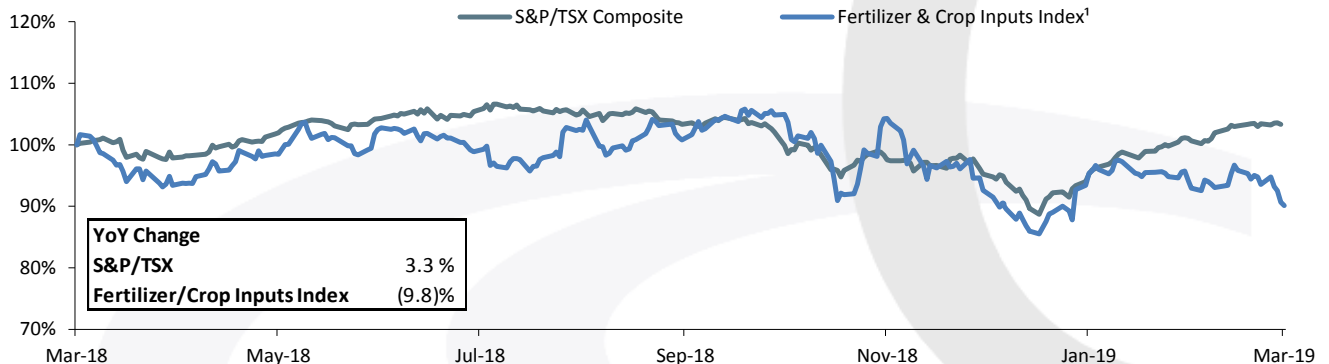


## FERTILIZERS & CROP INPUTS

### News Scan

- On March 7<sup>th</sup>, **The Mosaic Company** announced that it plans to reduce phosphate production by 300,000 tons for the spring season. The reduction comes amid continued weather concerns across key US growing regions along with higher than normal carryover inventory levels from the fall season. The reduction impacts Mosaic's facilities in Florida and Louisiana
- On March 5<sup>th</sup>, **Huber Engineered Materials**, a specialty engineering company, announced that it has acquired **Miller Chemical & Fertilizer Co.**, a manufacturer of non-hazardous crop protections and nutrients, for an undisclosed amount. The transaction helps advance Huber's strategy of building a diverse portfolio of small to medium sized businesses in the chemical and minerals market and allows it to diversify its portfolio into the specialty products market
- On March 4<sup>th</sup>, **Federated Co-operatives Ltd.** announced that it is investing C\$41.8 million to build a new high-throughput fertilizer terminal near Grassy Lake, Alberta. The facility will help support local co-ops and allows the co-op to grow within the crop inputs business. The new terminal will have a capacity of 34,400 tonnes along with rail access loop which can accommodate 110 cars. Construction is expected to start in spring 2019 and will be fully operational in summer 2020
- On February 27<sup>th</sup>, **Input Capital Corp.** announced that its Board of Directors has initiated a review of strategic alternatives to enhance shareholder value. The process will consider a full range of alternatives including business combinations, scalable mortgage financing, joint ventures or expanding into emerging crops such as cannabis, or a potential sale of the company

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Nutrien Ltd.	31,840	39,488	8.2x	7.8x	17.4x	15.4x	(3.6)%	(7.1)%
CF Industries Holdings, Inc.	8,980	15,803	8.8x	8.1x	16.3x	13.7x	(4.3)%	(28.7)%
Yara International ASA	10,699	14,721	6.5x	5.6x	13.0x	10.1x	(4.3)%	(15.7)%
The Mosaic Company	10,801	14,754	6.1x	5.8x	11.9x	10.5x	(9.1)%	(25.0)%
Nufarm Ltd.	1,405	2,379	6.4x	5.9x	11.6x	9.8x	(0.4)%	(45.0)%
Input Capital Corp.	59	58	na	na	na	na	(5.8)%	(37.8)%
<b>Mean</b>			<b>7.2x</b>	<b>6.6x</b>	<b>14.0x</b>	<b>11.9x</b>	<b>(4.6)%</b>	<b>(26.6)%</b>

1 "Fertilizers and Crop Inputs Index" is composed of equally weighted market prices for: Nutrien, CF Industries, Yara, Mosaic, Nufarm and Input Capital.

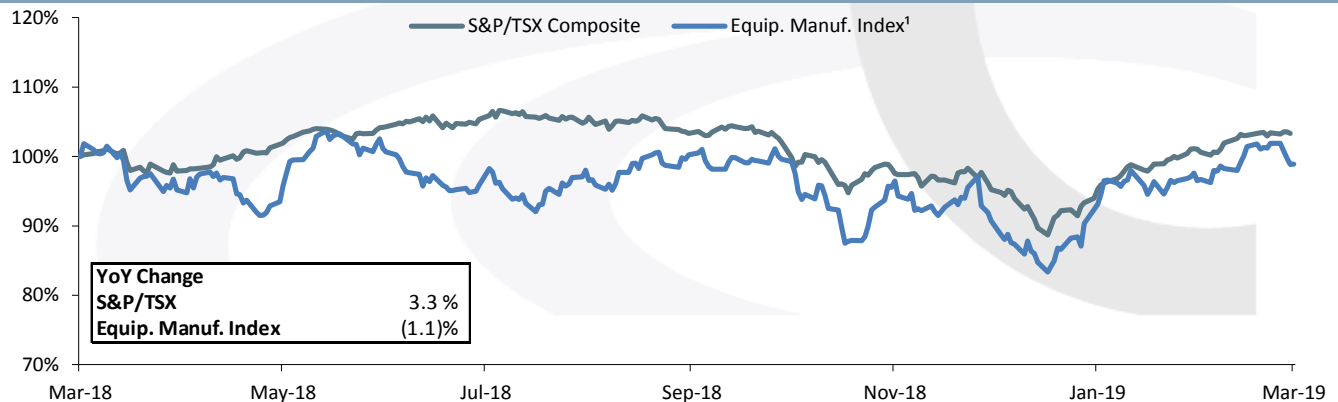


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On March 12<sup>th</sup>, **Ag Growth International (AGI)** announced that it has acquired **Milltech Machinery Limited** a leading manufacturer of rice milling and processing equipment in India, for US\$109.5 million with potential for up to an additional US\$38.4 million based on EBITDA targets. Milltech employs 400 full-time employees and operates four production facilities in India. The transaction will be funded by AGI's revolving credit facility and is expected to close prior to March 31
  - On March 5<sup>th</sup>, **AGI**, announced that it has acquired **IntelliFarms LLC**, a Missouri-based precision agriculture company that provides hardware and software solutions for growers and processors, for an undisclosed amount. The transaction expands AGI's controls technology and project management capabilities and is in line with the company's growth initiatives that are focused on technology-enabled solutions
- On March 6<sup>th</sup>, **Yara International** announced the launch of Yaralinx, a brand new tool for precision farming that allows farmers to measure crop nitrogen requirements using their smartphones. Traditionally, nitrogen analysis has required expensive equipment, reducing access to farmers. The Yaralinx system includes a free-to-download-app which uses the smartphone camera to determine nitrogen requirements. The system also includes an attachment, the N-Tester clip that allows the smartphone camera to act as a nitrogen sensor. With the platform, Yara aims to make precision farming accessible
- On February 28<sup>th</sup>, **Nutrien** announced that it has completed the acquisition of **Van Horn's** fertilizer division, a leading US retailer and ag-services provider located in Illinois, for an undisclosed amount. The company currently operates eleven retail facilities which serve over 5,000 customers in 18 counties. The company was ranked as the 18<sup>th</sup> largest US ag-retailer. The acquisition provides an attractive business to Nutrien AgSolutions as consolidation in the industry continues

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Deere & Company	50,644	55,258	10.8x	9.3x	20.7x	13.9x	(4.1)%	(5.5)%
AGCO Corp	5,048	6,473	7.0x	6.5x	14.2x	12.3x	(3.9)%	(4.8)%
Ag Growth International Inc.	793	1,169	9.3x	8.6x	16.3x	14.5x	(2.7)%	(11.6)%
Rocky Mountain Dealerships	126	419	14.2x	13.0x	8.0x	7.2x	0.0%	(33.5)%
Cervus Equipment Corporation	151	312	6.7x	6.5x	7.5x	6.8x	(0.9)%	(13.6)%
<b>Mean</b>			<b>9.6x</b>	<b>8.8x</b>	<b>13.4x</b>	<b>10.9x</b>	<b>(2.3)%</b>	<b>(13.8)%</b>

1 "Equip. Manuf. Index" is composed of equally weighted market prices for: Deere & Co., AGCO, Ag Growth International, Rocky Mountain Dealerships, Cervus.



## ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

### News Scan

- **UN Food & Agriculture Organization** released its first forecast for world wheat production in 2019-20, projecting harvest of 757.4 million tonnes, representing a 4% increase over the current year and below 2017 record
- Hard red winter wheat was reported 51% good or excellent in Kansas compared to 45% a year earlier, Colorado sat at 50% vs 54%, Nebraska at 60% vs 66% and Oklahoma at 43% vs 46% respectively. Moisture conditions have been greatly improved by a series of snow storms since January
- On March 8<sup>th</sup>, the **European Commission** announced that it has increased the import duty on “husked” or brown rice to €65 per tonne. This update is in accordance with international agreements, where the E.U review the rice import duties twice a year. The duty hike comes from a notable increase in demand of husked rice since September 2018
- On March 7<sup>th</sup>, Canada’s new **Agriculture Minister Marie-Claude Bibeau** spoke at her first official function at the Canadian Crops Convention. Bibeau stressed the importance of supporting the rural communities and creating good middle-class jobs and reaffirmed commitments of boosting Canadian agriculture and food trade and on increasing value-added processing
- On March 6<sup>th</sup>, the **Saskatchewan’s Water Security Agency** issued a forecast that the grain belt area is well below normal runoff which is expected to present some agricultural water supply issues in 2019. However, adequate snow fall and rain fall into the spring along with the water supply from the major reservoirs should be adequate to sustain the crops
- On March 5<sup>th</sup>, Chief Commodities Economist of INTL FCStone announced a modest increase in planted acreage and potential increase in demand from China may boost US corn prices. Cash corn prices is forecasted to average US\$4.85 a bushel in 2019-20 compared to the USDA season average price of US\$3.65
- On March 1<sup>st</sup>, the National Agricultural Statistics Service of the US Department of Agriculture (USDA) announced that wheat flour production by US flour mills in 2018 totaled 426.87 million cwts, up 0.1% from the previous high of 426.399 million in 2017. Flour production in the past 17 years have surpassed 400 million cwts annually with the exception of 2005
- On February 28<sup>th</sup>, the Canadian National Railway announced that it will twin a four-kilometre section of track at the Port of Vancouver in an effort to reduce rail congestion issues and improve the flow for freight traffic at Canada’s largest marine port
- On February 26<sup>th</sup>, the government of Egypt has reached an agreement to acquire 400,000 tonnes of milling wheat from three companies, Bunge, Amropa and Archer Daniels Midland. The deal is valued at US\$122 million according to USDA’s Global Agricultural Information Network report

### Commodities Futures as of March 12<sup>th</sup>, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.62	(2.95)%	(3.66)%
Wheat (CBOT)	\$ per bu.	\$4.29	(6.29)%	(15.44)%
Oats (CBOT)	\$ per bu.	\$2.63	(0.66)%	(5.66)%
Rough Rice (CBOT)	\$ per cwt.	\$10.72	1.76 %	3.53 %
Rapeseed (Canola) (ICE)	CAD per T	\$455.80	(1.19)%	(6.75)%
Ethanol (CBOT)	\$ per gal.	\$1.29	(4.01)%	1.33 %



## Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Food Processing</b>				
Maple Leaf Foods Inc.	(80.2%)	The company closed out 2018 with relatively flat sales growth and 90bps of margin compression, largely due to unfavourable market conditions and start-up costs to renovate its flagship brands. Fourth quarter sales were C\$894 million with an adjusted EBITDA margin of 10%	C\$34.86	28.4%
<b>Fertilizers &amp; Crop Inputs</b>				
The Mosaic Company	94.5%	Revenues increased by 29% to US\$9.6 billion, driven by record potash and phosphate production. Adjusted EBITDA increased by 68% to US\$2.0 billion, helped by synergies from its Brazilian subsidiary (Vale Fertilizantes) and further support from its business-to-business marketing strategy. Full-year adjusted diluted EPS increased by 95% over the same period last year	US\$37.70	31.5%

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